

Spurring Competition In K-12 Education

Inducing Stakeholders to Want the Consumer Information They Need

David V. Anderson and Co Author

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ABSTRACT

We approach education reform primarily as a problem in economics and not of pedagogy. Our view, validated by much data, is that the economic marketplace in which K-12 education operates is broken in a number of respects. In an earlier study we found a modest but yet significant level of competition in the public school sector and somewhat less among private schools. We have evidence that the introduction of choice, whether in the form of vouchers or as charter schools, has indirectly brought some benefits to K-12 schools as a result of competitive behaviors among them. Yet the pace of student proficiency gains is sufficiently slow that many decades will be required to reach proficient academic performance levels. So we here consider what else is needed to energize this K-12 marketplace? We contend that an important missing ingredient is accurate consumer information that would enable parents and others to make wise choices in the selection of schools and other educational services. Currently, most parents and other stakeholders operate in a sea of misinformation about school performance levels and other school characteristics. Our hypothesis holds that getting good honest performance information into the hands of parents will invigorate this marketplace to such an extent that the actual reforms will be nearly automatic. A difficulty here, however, is that parents are not actively seeking such information about schools because they are complacent and have believed the propaganda that surrounds the schools. This suggests that additional remedies must be sought that will induce parents to want the information. They need to be alarmed at the degradation of their schools. So how is this inducement going to be accomplished? We see a number of avenues. Aren't there scandals in K-12 education? Many conflicts of interest in education are seen as tradition but need to be recast as corruption and publicized. Bad schools can be sued and notoriety of the lawsuits can garner attention. Schools, mainly private ones, can advertise using honest and sobering statistics. Those who homeschool can play a role- essentially through the grapevine. They can encourage other parents to be part-time homeschoolers who at least have their children tested independently of any school. Knowing those test results can be an ingredient of competition when "word gets around." International comparisons, when reported by the media can help. Religious groups surely want a good education for their members' children. So they can play a role. New methods and best practices can be publicized- such as online self-paced instruction. Exploiting new ideas can lead to productivity gains while at the same time lowering costs. That is certainly a competitive strategy. Our report concludes with a discussion on how various agents of reform can be recruited to help induce parents and others to actually want the school information.

Introduction

Parents are the primary stakeholders in the provision of adequate education for their children in the K-12 years. Many other individuals and organizations are secondary stakeholders who also have an interest in the successful education of these students.

In a previous article we studied the evidence that there is weak competition in the K-12 education economic sector.¹ There we found that much of the data we have reviewed suggests that public schools as a whole are more competitive than their non-profit private school counterparts. We also noted there that most stakeholders, parents included, view the public and private schools as much better than they really are. This is evidently due to the pervasive propaganda put out by the public systems and the popular notions (largely false) about the superiority of private education.

For the nation as a whole, the *Nation's Report Card*- more formally the *National Assessment of Educational Progress (NAEP)*- tells us that most K-12 students are below grade level, including most of those attending private schools. But the *NAEP* does not test locally to inform parents and others of problems with their nearby schools. In most localities various forms of neglect have allowed K-12 education to stagnate and thereby not educate their students to proficient skill levels.

We have formulated methods for generating local estimates of *NAEP* proficiencies in the subjects of mathematics and reading.² Those can be used to understand performance levels of local public schools. In some cases we can make rough estimates for private schools but it is difficult to evaluate them when most private schools resist reporting their students' performance levels. In most areas, the estimates for public schools are sobering. If we can't directly get information about private schools, we can compensate for that in other ways.

From the standpoint of a parent it is probably less important to know a school's performance level than knowing their own child's achievement level. That individual parent can surely arrange testing for their child- say from the *Iowa Test of Basic Skills (ITBS)*. That's what many homeschooling parents are already doing. This provides a clue to a strategy that all parents can use to ensure their children are being properly educated. Every parent should consider themselves a homeschooler, at least in the sense of being the manager responsible for his or her child's education. As such, every parent should verify that their children are learning by having them tested. This should be considered independent of whether the parent is the homeschooling instructor, whether the child is sent to tutors, whether the child attends a private or public school, or whether some combination of these holds.

Once parents and others digest information like this they will more likely make wise decisions. A marketplace abounding in such wisdom, we expect, will be a healthy one with much competition and with many benefits. In this report we explore strategies that we can follow to boost the interest of parents and other stakeholders that, in turn, will energize the K-12 marketplace.

We believe that consumers of education do not have easy access to accurate information about K-12 schools and instead are swayed by propaganda in the case of public schools, or by silence in the case of private schools. We contend that once the parents and other consumers of education are made aware of the deceptions and learn more about the low performance levels, they will then seek better schools. When and if that happens, school developers can establish higher quality schools to meet the implied demand that will likely arise.

Let's now look at these issues in a little more detail.

What Americans Tend To Think About United States K-12 School Performance

The average parent or other stakeholder in K-12 education has an impression of American K-12 schools that has been skewed by misinformation. We know from surveys and polls of Americans that:

- When asked to grade American public schools as a whole, 20% of those polled say A or B.
- When asked to grade their local public schools, double that to 40% saying A or B³.

In contrast the Nation's Report Card or NAEP indicates that less than 1% deserve an A or B[◆].

With regard to private schools we are not aware of any surveys or polls in which respondents assign letter grades, but we believe if asked to grade American private schools, they would opine that about 80% deserve an A or B. And for the local private schools we think that number would still hover around 80%.

With this in mind, we go back to our average stakeholder to have them guess how many children are proficient in these different situations. Based on the foregoing they might say that:

- The public schools in the U.S. will have, on average, 70% of their students proficient.
- The local public school, on average, will have about 85% proficient.
- The private schools, nationally, will have approximately 95% of their students proficient.
- And the local private school might have over 95% proficient?

Such onlookers are generally not aware that their state education officials grossly exaggerate how many students are proficient- compared to the testing done by the NAEP.

It is probably safe to say that parents are generally unaware of their ignorance concerning K-12 education. Most parents and other stakeholders of K-12 education have mixed opinions about the quality of American schools, but on average regard their local schools as acceptable or better. Having little information to the contrary, they don't worry much about corruption, incompetence or lax standards that might affect these schools. In their minds there is no crisis. The status quo is OK.

Another issue in this mix is parental neglect of various forms. Though certainly not a majority or even a large minority of parents, there are still significant numbers of parents who seek schools that are less challenging than the status quo. If told that their school is a low performer, that's acceptable to them. They will often argue that standards are too high. To many of them, the school is, in effect, a child-care service and not much more.

If We Get The Competition Right, Many Reforms Become Automatic

In the recent study we performed, cited above,⁴ we found evidence that there may have been some competition in K-12 education. Nearly all of our evidence was taken from or based upon reported student proficiency percentages reported by the *NAEP*.

◆ In the schools we surveyed in East Coast states we used their estimated overall NAEP proficiency levels to find less than 1% rated an A or B, which in our terms meant achieving a NAEP proficiency level of 80% or higher.

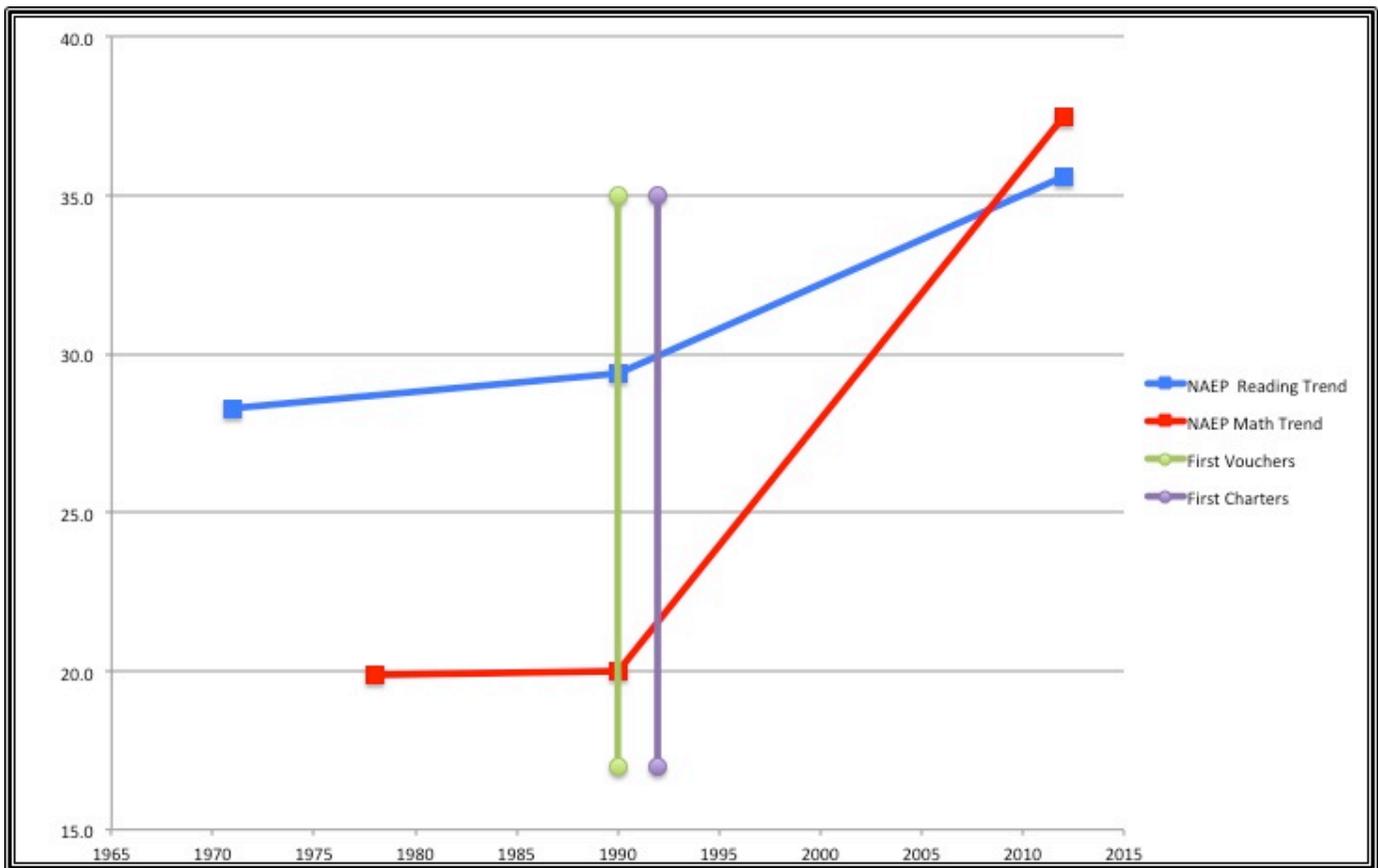


Figure 1. This simple plot, taken from our more detailed study of competition, shows national NAEP measured reading and mathematics proficiency percentages of 8th grade students in both public and private schools. It connects the dots from the earliest NAEP testing in the 1970's to its testing in 1990 and 2012. The vertical lines denote the introduction of government-funded vouchers and of public charter schools that occurred in 1990 and 1992, respectively.

That study found very little competition in the two decades prior to 1990 and during that period NAEP proficiency profiles for reading and mathematics didn't change- at least more than the statistical margin of error. In contrast, for the years following 1990 the NAEP proficiency percentages for American public and private schools grew at statistically significant, albeit modest rates. Fig. 1 shows this quite plainly. Later when we considered NAEP proficiencies of just the private schools after 1990 we found a similar growth pattern for them.

Many education reformers in the 1980's and 1990's sought to introduce parental choice into the K-12 education marketplace and succeeded in establishing new systems for achieving that goal. The advent of government funded vouchers and government funded charter schools that provided choice occurred in 1990 for vouchers and in 1992 for charter schools. Many of these reformers sought two benefits from such choice options:

- A personal benefit. It would give parents more options in directing their children's schooling.
- An economic benefit. It would motivate regular public, charter public schools and private schools to **compete** with one another more vigorously than before.

Moreover, the latter benefit would be larger if the competition was more intense.

Our study concerning K-12 competition, which looked at the national statistics, found a lackluster non-profit education sub-sector in which the performance levels of private school students are being gradually overtaken by public school students' performance- when compared within the demographic of students from economically disadvantaged families. One such sub-group are the students who are eligible for the *US Department of Agriculture's Free and Reduced Price Lunch Program (FRL)*. For that demographic's performance in mathematics, we found that the public schools caught up and have now, for some years, been tied with the private schools. As to their reading skills, the private schools still perform better but the gap in performance is closing slowly.

A similar study that has more historical data looked at the NAEP proficiencies of students from families in which the best-educated parent had completed high school. We dub these families as *modestly educated families (MEF)*. Figure 2 displays these results, which should be a "wake-up call" to private educators.

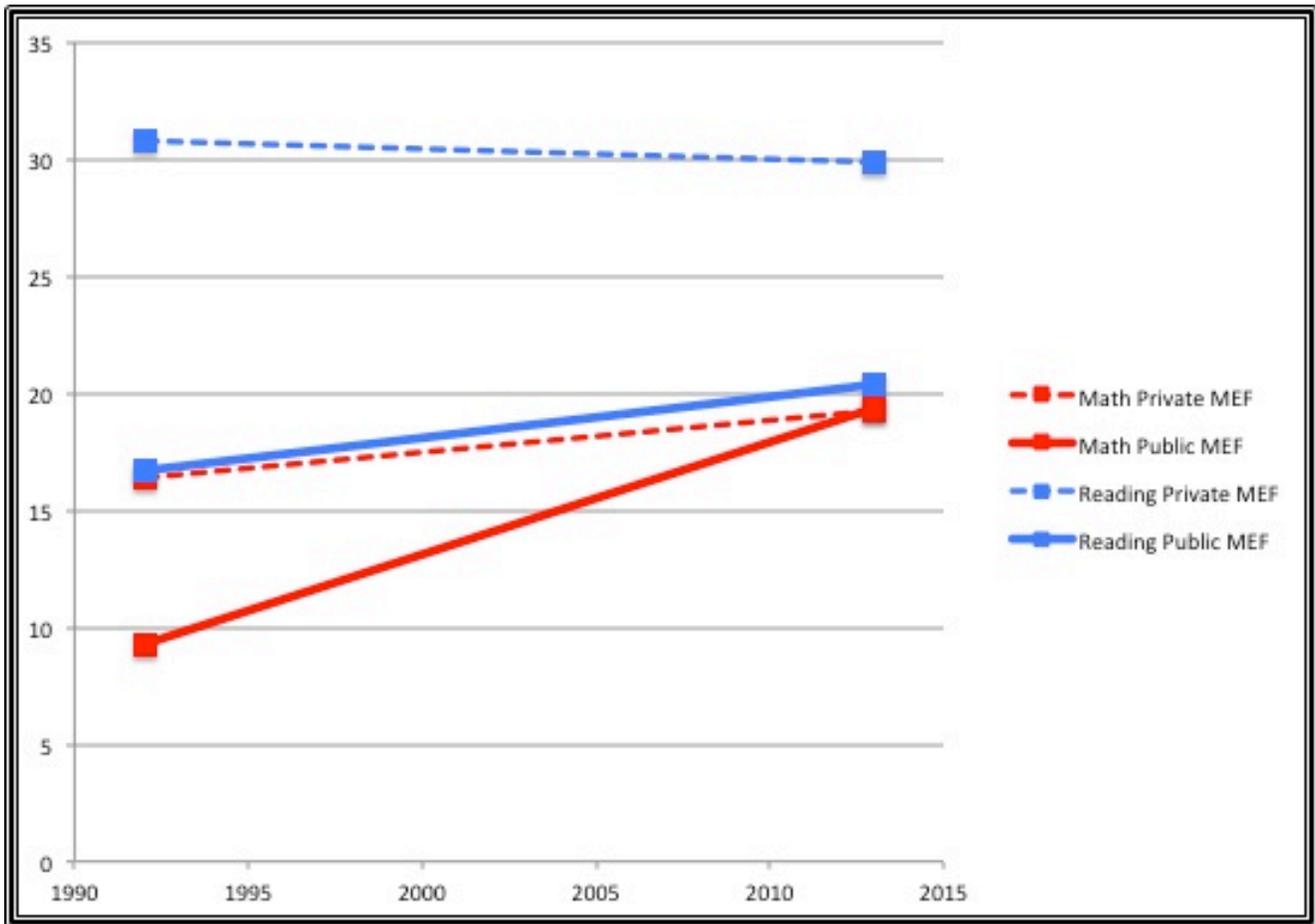


Figure 2. Another simple graphic, taken from our more detailed study of competition, shows national NAEP measured reading and mathematics proficiency percentages of 8th grade students for relatively disadvantaged children of *Modestly Educated Families (MEF)*. For these students, public schools have caught up to their private counterparts in mathematics while the gap is closing slowly in reading.

What Might Increase Competition in the K-12 Marketplace?

Economists sometimes view competition through the lens of a psychologist or sociologist. They ask what are the motivations and incentives that cause the makers of products and the providers of services to make changes to their offerings? Those changes affect the wealth created by those organizations and that is properly a main focus of economics.

We see three stages in the development of school choice:

1. **Traditional Choice:** In this stage only the families who could manage to budget for tuition expenses or those receiving privately funded scholarships have the financial means to choose a school or educational format. This was the only option available prior to the 1990's.
2. **Subsidized Choice:** When the government (federal, state or local) provides scholarships (such as vouchers) or incentivizes private scholarships through tax incentives, many more families then have the financial ability to choose their children's education providers. Charter schools are an alternative form of subsidized choice. Though available since the early 1990's the percentages of students having these options have been severely limited.
3. **Informed Choice:** At some point going forward we expect good consumer information to be put in the hands of parents and other stakeholders who will then make "informed" decisions- that according to the theories of information economics will result in better quality at lower prices.^{5 6}

We believe that the K-12 economic sector will thrive if both of the latter two options become generally available.

We regard option 3 as more important than option 2. We reason that if parents really knew how poorly their local schools (public and private) were performing, they would be more discriminating in directing their children's education. For some, in that scenario, a reordering of their family budgets might have enabled them to choose a private school, or tutoring, or other supplements/alternatives to help their children. Others may have used the information to put political pressure on their elected officials to make changes. Those changes might be internal reforms or perhaps the establishment of more robust versions of option 2.

Additionally, if option 3 were implemented (or had been implemented first) it is much less costly to be fully implemented than option 2. As such nearly all parents and stakeholders could have been included.

First Get Their Attention. Then Give Them Honest School Performance Information

We regard option 3, from above, as the vehicle to real reforms and improvements in K-12 education. We believe that parents and other concerned parties will provide the political and financial muscle to accomplish much of this once they have been convinced that there are serious problems in the schools available to their children. But how do we get their attention? How do we overcome their prejudices that the schools are OK or at least that nearby schools are acceptable?

In the remainder of this article we, firstly explore a handful of different avenues by which parents and stakeholders can be induced to seek out information about school performance and other characteristics relevant to K-12 students success in school. With those avenues in mind we then go on to discuss the roles various stakeholders might play to arouse the interest of the current majority of stakeholders who seem disinterested in these matters.

Avenues to the Generation of Stakeholder Interest

We now turn to explore what tactics might attract and hold parent and stakeholder interest? What will lift their concerns sufficient to make them want more information about K-12 schools and services? We label these tactics as *avenues* with the connotation that they must be applied as an ongoing process rather than all at once or in a staccato fashion. The *avenues* we list here is not intended to be complete. We invite extensions and feedback on what else might be considered. Our avenues' headlines and descriptions include:

Investigate K-12 Scandals And Their Remedies

Publicity is often effective in getting stakeholder attention if scandal is involved. Surely the public education system has many scandals that need investigation.

Here's one: Schools do their own testing. That is a conflict of interest and has led schools to routinely report grossly exaggerated student achievement. Yet this is such a traditional arrangement that few onlookers see it as unethical or as a conflict of interest. Surely it is both and it is corrupt.

Here's another: Students are awarded high school diplomas who average out to have only 8th grade skills. Why not have some lawsuits in which parents and students sue the schools for fraud? That will generate publicity.

Go after the schools for their practice of social promotion in which the school deliberately misrepresents a student's achievements, promotes them to the next grade, and then provides no remedial assistance to overcome the student's actual performance deficits.

To use scandal and corruption as a means to generate stakeholder interest, it is helpful to have the news media involved. Not all or even most education reporters will be interested in topics that cast schools in an unfavorable light. They might be willing to criticize private schools however. Since private schools have many of the same problems as public schools that might be the first place to go looking for "scandal."

Lawsuits Can Force Changes and Bring Public Attention

Many of the practices in public and private education, as we have just noted, are corrupt and in some cases harmful to students' academic development. When students suffer as a result, bringing legal action against school authorities can provide at least three kinds of benefits:

1. It can bring direct compensatory damage payments to the students harmed,
2. It can force changes to the offending schools' policies, and
3. It can generate publicity about bad practices that need to be addressed.

Informing Customers Through Advertising

One of us has been in the business of generating local public school performance information based on the estimates we have calculated for NAEP proficiencies at the school and district level. That information and other reported characteristics of local schools can be used to generate guides to schools. We have, in fact, produced prototypical guides to public and private schools in three geographically disparate counties- in Massachusetts, Tennessee and California. The guides we produced not only provided performance information about the public and private schools in the respective counties but they also supplied

directories to providers of supplemental and alternative educational services that parents might want to use once they become concerned about their children's actual achievement levels.⁷

In each of these three counties we contacted at least 100 prospective stakeholders. We found a high degree of apathy among them and virtually no one was interested in developing actual guides for their county's parents and other stakeholders of K-12 education.

This disinterest suggests that before stakeholders will seek out such information we need to elicit their interest. Our use of the word "inducing" in the sub-title relates to this barrier that must be overcome if parents and other parties are to play responsible roles in K-12 education.

Experts in advertising deal with such disinterest on an everyday basis. They devise clever advertising that amuses, cajoles and informs, which in some instances "induce" the desired follow-up from the prospective customer.

Working Through Homeschoolers

There are probably more home schools than any other type of school and the parents and others helping in such home based schooling arrangements are probably more interested in K-12 education than almost any other group of stakeholders. We believe that homeschoolers are interested in growing their ranks and surely they informally communicate with many friends and neighbors about their experiences in this educational format. They could consider suggesting to friends that everyone can be a homeschooler in a limited sense, perhaps as follows here:

They could encourage other parents to have their children tested as a way to monitor how well each student is progressing in school. When the others follow their advice, they will learn if their present schooling arrangements are succeeding. If they are, fine. If they are not, they can take corrective action that could include feedback to the school or maybe transferring the child to a different school- or even a homeschool.

As information about school quality spreads by this mechanism, we believe parents and others will take more interest in seeking additional information about these education services.

Leveraging National Pride

The media on relatively rare occasions report on international comparisons of academic skills. Students from the United States generally perform much lower than might be expected for the leading economy of the world- often near the middle of the pack among the economically developed OECD countries. News outlets need to be encouraged to report on these issues more often and also investigate why US students don't perform better.

Reminding Religious Groups of Their Educational Principles

Various Christian and Jewish denominations have historically placed much emphasis on the proper education of their members' children. They value both sectarian subject matter and secular. Most religious organizations seek to have the children around them become productive citizens who will contribute to the wealth of their communities and who will be good citizens. Most religious denominations have lost their way on this. In the past, public schools were compatible and even supportive of protestant Christianity but more recently have become secular and sometimes politically progressive. Instruction in civics and history has been downplayed leaving many K-12 graduates ill prepared to understand their communities and governments. Churches and synagogues seem asleep. Those religious congregations that operate their own

schools often remain ignorant of the sub-par performance of their own students. It is not clear how to get the attention of religious leaders responsible for these children but it is probably going to take “insiders” to solicit this interest.

Publicity About New Methods and Best Practices

Research in the field of education is often not of the highest quality and is frequently faddish. Yet there are new developments worth considering- such as online instruction and the self-pacing formats that it enables. The new technologies, as in other industries, enable higher quality instruction and testing at far lower costs. We presume many home schooling parents are using some of these new products and methods while a few private and public schools experiment with them. Perhaps the most egregious problem in K-12 education is social promotion. This dishonest practice is skewed to ignore the lowest performing students by pushing them ahead instead of providing them remedial services. Online instruction in a self-pacing format, almost by definition, cannot have social promotion because the student’s age is not a factor in determining academic status or their performance level.

Establishing New Provider Organizations And Services

Once a proposal is deemed promising then its proponents can seek financial support to establish the organizations necessary to put it into effect. The new entities might be non-profit or they might be for-profit or both. Or as a variation on this, those with financial assets may seek a good project or existing organization to support.

Soliciting The Stakeholders To Play Responsible Roles

We have been quite disappointed in our efforts with the county guides. Our solicitations found almost no interest from various stakeholder organizations. Here follows a list of stakeholder categories and sub-categories. We offer some speculation why they show so little interest in this type of consumer information reform.

Research Entities:

- Policy analysts. They focus too much on pedagogic reform and not enough on economics.
- Schools of education. Most academic departments are captive to public education establishment.

Business Stakeholders:

- Venture Capitalists. They regard for-profit risks too high to enter the K-12 arena.
- Media. Most reporters are of the political left and disinterested in marketplace reforms.
- Chambers of Commerce. Too many Chambers have been co-opted by public educators.
- Education industry trade associations. Their focus is on crony relationships with government.
- Education service providers. Like the trade associations, they are trapped in crony relationships.
- Textbook publishers. Ditto and they are afraid to innovate because of likely retaliation.

Non-profit Stakeholders:

- Philanthropists. They tend to be focused in other less productive areas of reform.
- Parents. Many don’t want to look beyond the sugar coating or the so-called official numbers.
- Civic organizations. Kiwanis and others want to avoid controversy and thus shy away.
- Religious congregations. Like civic organizations these groups “play nice” to avoid contention.
- College admission offices. They fear acknowledging sub-par entering students will embarrass them.

Operators of Schools:

- Elected officials at the state and local levels. Many are swayed by teachers unions & other guilds.
- Public school systems. They're in a "comfort zone" and don't want to consider novel reform.
- Non-profit private schools. Ditto and they rely on their **unearned reputation** for high quality.
- For-profit private schools. Also relying on their reputation but fearful of government reprisals.

Though these kinds of organizations have avoided efforts to inform themselves and parents about school performance, they are nevertheless candidates for pilot projects.

In what follows we will address the issues concerning each of these categories and sub-categories, beginning with those who do the research.

Roles of Players From Research Entities

It is important to acknowledge that we, the authors of this article, are prospective players from research entities. Our roles in the studies of economics and education confirm this.

Whatever ideas and proposals we have for generating more competition in the K-12 marketplace, we surely have the obligation to disseminate them among our research colleagues. As other professionals in these fields learn about our work they may wish to extend it. For this reason, among others, we intend to distribute this article and ones like it in publications that will be read by our prospective allies in the implementation of our ideas.

In doing this we invite our colleagues to develop their own ideas about furthering the development of a healthy marketplace for K-12 education. Among the ideas they should consider are those designed to inject better information into the marketplace. Relative to other reform ideas, generating information is often less expensive. If the information is interesting and/or compelling it will be easier and cheaper to disseminate it to other stakeholders than the boring findings of the more traditional research projects.

Relevant Avenues

Of the avenues discussed in the previous section, we see three as particularly relevant to researchers:

- Research investigations may provide information about scandals and/or their remedies.
- Studies of international comparisons can help leverage national pride.
- New methods of instruction, school organization, testing etc. can shine light on current problems.

We encourage researchers to publish their results where they might have the most impact.

Roles of Business Stakeholders

Implicit in the concept of "business stakeholders" is the presumption that such players are seeking financial profits from the products they make and the services they perform.

Venture Capitalists and Other Investors

Under the label "venture capitalists" we mean to include not just so-called venture capitalist organizations but also anyone or any group seeking investment opportunities. From what we have seen, nearly all such investments in firms providing education services or products have had government contractors as their

primary customers. Perhaps based on fears of losing business, such firms generally avoid activities that would compete with or otherwise annoy their government contractor patrons. Thus there is a tendency towards cronyism among many firms in the education sector. Still there are “private pay” customers seeking education services and products. Individual parents, including those in homeschooling, as well as many private schools are among these customers. Why can’t venture capitalists and their funded entrepreneurs develop enterprises that would aggressively compete for these private customers? If they claim to be doing that already, how do they justify their reluctance to use honest student performance information in their marketing? Thus we need investors who are not afraid of the risks and who understand that there is a mountain of money to be made if they are willing to start in those niches where ready and willing customers already exist.

Media Outlets

We include media businesses under the umbrella of business stakeholders because newspapers and other media outlets are in the business of making a profit from selling information. It seems that media organizations are too cautious and too tradition bound in this area. Do they ever attempt to measure what kinds of reportage will kindle reader/viewer/listener interest to increase their sales/ratings? Are their present teams of education journalists covering enough of the “angles” to increase that interest? Is it true that most such journalists favor the political left when a more balanced approach might be more saleable to their customers? As such, why wouldn’t media organizations challenge the misleading performance numbers put out by the public education systems of nearly every state in the Union? As we have already noted, we have methods for making more honest estimates that can challenge that propaganda.

Chambers of Commerce

Chambers of Commerce, by their very name, should be interested in healthy commercial enterprises and they nearly always voice their support- certainly for the ones who are members. But are they interested in the providers of K-12 education? Since very few schools are commercial profit making businesses, Chambers rarely have members representing such enterprises. Chambers generally claim interest in high quality K-12 education because it supplies their members with entry-level employees- either directly or indirectly after they pursue post-secondary education. In our experience, Chambers of Commerce are not interested in providing consumer information about school quality. We infer the reason for this: They generally have public school officials as members and seem reluctant to offend them by doing anything that would expose problems therein. This poses a conflict of interest when the one hand makes excuses for the substandard public schools in their communities while the other hand seeks better-prepared graduates from these same schools. Their behavior has a scandalous aspect and should be publicized as such.

One of us made a proposal some years ago that Chambers of Commerce might develop their own testing program for high school seniors and then award their own diplomas- we called them *Chamber Diplomas*- to those displaying grade level or better performance on those tests. But they had deaf ears then- much like they do now.

Education Industry Trade Associations

For several years, one of us was a member of the Education Industry Association (EIA), which is a trade organization consisting of many for-profit enterprises providing products and services to K-12 education. Unfortunately, most of its members have contract business with public school systems that generally require a form of loyalty to the government run school systems. A large number of these firms also provide services to private organizations and individuals, which suggests to us that they might want to compete vigorously to attract new customers. But they don’t. When offered estimates of local NAEP proficiency percentages of local public schools they have shown very little interest in using these numbers in honest

contrast marketing. When we inquired of EIA officials why so few of their member firms were interested in this form of contrast marketing we were told that these firms did not want to annoy their public education patrons and risk losing contract work.⁸ (Don't bite the hand that feeds you.) We also offered similar NAEP estimates to the EIA organization itself that could be used by them to provide consumer information to actual and prospective customers of their member firms. Again, no interest. Evidently, many if not most of the EIA members have been trapped in crony relationships with the public systems. We left the EIA when we saw little interest on their part in developing members who catered primarily to the private pay market and who might be willing to engage in aggressive but honest advertising. So what is wrong with this picture that could inspire productive changes? For one, EIA is a national organization. Yet K-12 education is organized within states. We think state based trade associations could be established. 50 of them suggests that a few of that number would find ways to help their member firms be good competitors that would more or less automatically inject honest school performance information into the mix. Or the EIA might reorganize itself with state based chapters. Whatever these state aligned organizations would do, they could consider the provision of consumer information- perhaps in the form of guidebooks (hardcopy, online) to help stakeholders find the right vendors and at the same time insulate firms from retaliation that might come from the public systems if the firms, themselves, were the spigot of consumer information.

Education Service Providers

Closely related to the issues surrounding the Education Industry Association are those facing individual education service providers. Their close ties with the public systems, as we have just noted, seem to prevent them from using contrast marketing that would be critical of the public schools. They can solve this problem by having 3rd parties, such as a trade association or publisher, provide the consumer information that effectively would do the contrast marketing for them. Think of it as a form of Consumer Reports.

Textbook Publishers

Textbook publishers traditionally have relied on economies of scale to print many thousands if not millions of texts that are used in K-12 education. Their largest customers are the public school systems. Frequently, the content of these texts is virtually dictated by school officials at the state level. Thus these firms want to maintain good relations with public educators. They will not be interested in the private pay market or even the private school market unless they are purchasing the same or very similar texts to those used in the public systems. But "traditionally" was yesterday. Current publishing technologies allow for profits at much smaller scales. Publishers could be established exclusively for the private pay marketplace. If they do that, why couldn't they use contrast marketing to show how their books are superior to ones used in public schools or by other competing schools (or even homeschools)?

Business Reform

Each of the foregoing kinds of business stakeholders has opportunities to make changes to their operating formats that may well bring them greater financial profits than indicated by the status quo. The nature of free market capitalism includes Adam Smith's invisible hand from which society reaps benefits- here better educated children- while the enterprises providing the educational services earn financial benefits. Everyone wins. Many of these firms may want to consider 3rd party marketing mechanisms that will provide economies of scale while at the same time insulating their own enterprises from retaliation.

Relevant Avenues

In this section on Business Stakeholders there are a number of the avenues described above that these players might consider in their efforts to get the word out to the consumers of education. These more business-oriented avenues include:

- Advertising.
- Leveraging national pride.
- Helping religious organizations find solutions.
- Developing and publicizing new methods.
- Establishing new products, services and trade organizations.
- Marketing their services to home schooling families.

This list is not claimed to be exclusive, but rather is intended as a prod to give profit minded education firms some food for thought. Businesses should consider the opinion that their maintenance of the status quo is not only inconsistent with the vigorous competition normally seen in free market capitalism but it is also at odds with altruistic goals. This tendency to be stupid and unethical at the same time should not be that difficult to overcome. Not every business, at first, needs to consider this advice. But if a few of them break out of the stagnation mold they are in they may very well lead their lazier competitors to follow suit. The result of that would be an invigorated education industry that would not only provide good products and services but they would also loudly publicize the failings of their competition in the public sector, the non-profit private sector and even the for-profit arena.

Roles of Non-Profit Stakeholders

Many if not most non-profit organizations have missions structured to bring about societal improvements of various kinds. Educational benefits are often the focus of these groups. Many of these non-profit organizations make the mistake of ignoring the societal benefits created by the for-profit firms that provide educational services. They tend to think that most education reform should occur in public schools. A few would consider that reform should be a topic for non-profit private schools. And almost no one would contemplate for-profit schools as a force in real education reform. Let's now look at various non-profit players and consider the roles they might take on and the tactics they might employ.

Philanthropy and Philanthropic Capitalism[♣]

We start with the philanthropists. They are the ones who generally have the most financial resources to donate to charitable, educational, artistic and other worthwhile non-profit organizations. They can choose among the many other reform minded players which ones might accomplish their charitable goals. We already mentioned venture capitalists and other financial investors as ones who could fund efforts in the commercial entrepreneurial enterprises that provide products and services to K-12 education. We see a gray area of for-profit organizations promoting novel products and services that the financial investors regard as too risky for investment and for which the philanthropists can't support because their donations to a for-profit entity would not be tax deductible. We are aware of individuals who are capitalists by day and so-to-speak philanthropists by night. This kind of individual is fairly common when the non-profit activity is political but less common when it is charitable. These folks who sometimes invest for financial profit and other times donate for societal profit or benefit should consider a new category: philanthropic capitalism.

[♣] In this non-profit category we include capitalists who intentionally make very risky but socially beneficial commercial investments with very little chance of earning a financial profit. Thus in most cases these will be *non-profit!*

They could invest in very risky enterprises that by the logic of Adam Smith and others will nevertheless have a significant societal benefit. To justify such high-risk use of their money and that of other partners they should put on their philanthropic “hats” and note that charitable donations aren’t expected to reap any financial profits. According to this logic- that of high risk- most of their philanthropic capitalistic investments will be lost. But also by the same kind of logic a few will succeed if enough “experiments” are tried. Those few that do succeed in the education industry might reap large profits given the large quantities of money in the K-12 economic sector. As different kinds of business models are sorted out, other investors will have a better idea of where the financial risks are lower and this should result in an expansion of the commercial side of K-12 education to the benefit of their customers.

Civic Organizations Need To Expand Their Horizons

There are civic organizations that as a part of their missions work in support of K-12 education reform. The Kiwanis, in particular, seems one of the more vocal. Yet, when made aware of the roles they could play in energizing the marketplace of education they have been known to demure. We have made efforts to enlist the interest of such civic organizations, also including Rotary and Lions, to no avail. They seem to think that only purely non-profit organizations already affiliated with public education deserve support. So they are, so far, not interested in the roles they might play in developing good consumer information for the parents and other stakeholders of K-12 education. One tactic that might encourage them to consider other non-traditional educational projects would simply be the dispatch of speakers to their meetings. They are frequently seeking speakers so we could send some of our players out on that circuit.

Religious Congregations Are Often Asleep On K-12 Education

Then we have religious congregations that almost without exception seek good instruction for the children of their members. Prior to the mid-20th century their children were either educated in church run schools or in community based public schools that promoted the protestant ethic if not theology. But now the situation has changed. Public schools are often not friendly towards Protestants or any other religious sects but tend to promote progressive secular philosophies in their teachings. Moreover, in terms of basic academic skills, the public schools are not producing the kinds of graduates that religious congregations want- or perhaps would want if they knew the true condition of these schools. Beyond that they think private schools, including the ones that they may be operating, are good when they are only pretending to be good. What is a congregation to do when it suspects incompetence in the schools serving their children? Among the proposals they might consider are these:

- Produce or find guide books to their schools that report honest performance information concerning schools in their areas.
- Urge their parents to consider the testing element of home schooling to enable them to seek supplementary or alternative instruction if and when their children test out below grade level.
- What are the local schools teaching in the areas of ethics, civics and history? Are they falling prey to the progressive politically left philosophies that denigrate American founders as they are now doing to Thomas Jefferson and other (dead white Anglo-Saxon protestant male) founders of the United States? If so these congregations can consider taking action to counter such policies and maybe at the same time offer their own instruction in these areas.
- If not operating its own school is the congregation supportive of home schooling? Given the fact that homeschooled children generally outperform students in both public and private schools, the religious groups could help their members navigate the offerings and support groups involved?

- If it is operating its own school, it should consider publishing its students' academic performance levels- at least in the aggregate. They could use the Iowa Test of Basic Skills to do this, which we would recommend because the results are easily compared to other proficiency standards such as those of the NAEP.

It is not clear to us what is the best approach for attracting the interest of religious congregations. As with the civic organizations we can offer speakers. We can write op-eds. We could use advertising. Perhaps a form of polling could be used to generate information that when published causes a stir in the community? We seek the help of others in developing strategies useful to religious congregations.

College Admission Offices

In the list above, we mentioned college admission offices. They often find it necessary to place entering students into remedial courses because the student didn't really master high school subjects. If colleges wanted to practice some "tough love" with regard to these "socially promoted" entrants they could file lawsuits against the high schools that they find routinely misrepresenting the skills of their graduates. Instead of operating remedial courses, these colleges might file suits to force the high schools to do the remediation? It would be a version of grade retention imposed from the outside.

Many Parents Like Sugar Coated Information And Often Resist Reality

Finally, we include parents as non-profit stakeholders. Parents are the misinformed ones targeted on the one hand by the public school propagandists and on the other by the private school's passive deceit. They want to believe that their local schools are acceptable. They tend to turn their attention away from those bearing bad news about their schools; they like the Pollyannaish reporting they see. Yet their attention can sometimes be solicited informally by the other stakeholders. Word of mouth is often the most effective mode of communication between parents, friends and neighbors. An activity that is very parent intensive is that of homeschooling. In the preceding section we labeled homeschooling as one of the avenues to the generation of parental interest in these matters. At bottom parents are the most important stakeholders and once their attention is obtained they will likely act in their children's best interests. Without their active participation in the management of their children's K-12 education that societal responsibility gets ignored by too many who should be paying attention. Thus we must get parents into the loop. They must want to be in the loop. Of all the stakeholders whose attention we seek, parents are paramount.

Relevant Avenues

In this section on options for non-profit players we presented an incomplete list of projects and policies these organizations could consider that would help educate and inform parents and other stakeholders in K-12 education. Of the avenues discussed in the previous section, nearly every one of them could be considered by non-profit reform minded groups. Consider then:

- Investigation of improprieties, including those generally seen as tradition.
- Finding harmed parties who can be compensated through legal action.
- Using advertising to attract support and to attack bad policies etc.
- Work with home schooling organizations to extend individual testing to all children.
- Cite international rankings to motivate support for a better marketplace.
- Help religious organizations develop better policies.
- Perform research on new methods and publicize those that look promising.
- Establish new organizations to shepherd an informed marketplace.

In considering some of these ideas, non-profit organizations need to widen their universe of solutions to understand that the best solutions to societal problems, including those of K-12 education, are often found in the for-profit sector. Non-profit players can be part of these solutions but mainly when they provide a service that is not practical to provide commercially. For example, some, but not all, testing systems are best operated in the non-profit world. The publication and dissemination of the testing results, on the other hand, are best done commercially in the form of guidebooks, in the form of media reports, and in the form of advertising.

Operators of Schools: Their Comfort Zones Will Fade Away

Running schools is relatively easy when you are a master of deceit. Consider the operator of a public school that is officially doing well that in reality has a majority of its students NAEP sub-proficient. Or think about the operator of a private school who keeps quiet about the school's performance when the parents and others in the community think the school is good- and almost certainly think it better than the local public schools. When these operators face no criticism and often are lauded as pillars of the community, there is no incentive for improvement.

Schools Run By The Government Look Good But Lie About Their Performance

Public school systems are generally regulated at both the state and local levels. At the state level, the superintendents of public instruction control the statewide official testing regime that is mandated by the No Child Left Behind (NCLB) legislation. They deliberately use dumbed down standards and low cut scores to show many more students meeting proficiency criteria than are accorded that status by the NAEP. On average, the states report twice as many students performing at grade level compared to what the NAEP reports for the same grade level and subject. More locally, school boards hire and manage the principals who run the local schools. One of their most egregious unwritten rules is that nearly every child passes to the next grade. The percentages of children retained in a grade for an additional year are in the low single digits. That rule is the cause of social promotion. To present an image of consistency, social promotion is not presented as the promotion of students who received the F grade. Rather it is presented as regular promotion of students who received a grade of D or higher. Thus at the school level a scheme of grade inflation is applied across the board to make students appear more educated than they really are. Regrettably, the public school officials are probably the least likely allies in providing parents the information they need and surely will not ring the alarm bells to plead themselves guilty of their fraudulent representations about their schools. That said, we could still make use of their inflated statistics through methods one of us has developed. These methods allow exaggerated proficiency percentages to be converted or mapped onto the NAEP proficiency scale. We can literally use mathematics to convert their lies into statistically reliable estimates of student performance!

Schools Run By Non-Profits Remain Smug While Hiding Their Performance Levels

Non-profit private schools systems are, well, private- very private about their students' performance levels. Sometimes private schools report their high school graduates scores or proficiency levels on college entrance examinations such as the SAT or the ACT assessments. It gives you very little to go on. We might assume that local private schools will perform at about the levels seen nationally for which the NAEP has measured student proficiencies. As we've already mentioned, public schools and private schools are tied for 8th grade math proficiencies among the economically disadvantaged FRL students. Private schools are still ahead in reading though the gap is narrowing slowly over the years. Parents of private school students and parents of prospective private schools students can put pressure on the schools to test and report on their schools proficiency levels. The Iowa Test of Basic Skills (ITBS) is one that can be used for this purpose.

Schools Run By For-Profits Are An Enigma

For-profit private schools, for reasons we don't understand, act more like their non-profit counterparts than entrepreneurial enterprises seeking to profit from running exceptional schools. One interaction that one of us had with a for-profit school operator indicated that they were not interested in using performance information about other schools in their area that we could have supplied. We infer that they, too, were happy to hide behind their supposed superiority to other schools without having to show their "numbers?"

Relevant Avenues

Given that the operators of schools are more the targets of reform than the engines of reform, the avenues available to school operators should be considered under the presumption that the schools in question have overcome their pathologies. Thus, for that minority of schools in good health, they can consider:

- Helping the investigations of their competitors that are engaged in improper or incompetent activities.
- Filing lawsuits against public and other entities that improperly interfere with their operations.
- Use honest advertising to contrast their services with others.
- Reach out to homeschooling families to offer testing and even part-time access to instruction.
- Publicize the school's performance in terms of international rankings.
- Use and publicize new methods of instruction and testing.
- Develop provider organizations among firms that want to collaborate.

In short, schools, regardless of their ownership or instructional format, need to compete honestly. When that is done, parents and other stakeholders will be surrounded by reliable performance information to such an extent that any lingering propaganda of the "old-school" will be laughably ignored.

Summary and Conclusions

Based on earlier work we have done, we know that parental choice has helped public schools perform somewhat better. But we also know that the choice mechanisms available to parents of K-12 students are very limited in availability and this may explain why the benefits, so far, are barely significant.

From the specialty of information economics we know that informed choice can energize an otherwise weak marketplace. Based on that we considered how consumer information could be provided to parents and other stakeholders of K-12 education. How can it be provided when the consumers are satisfied with the status quo based on the pervasive propaganda disseminated by the public school systems and on popular notions of private school superiority? It evidently must be accomplished in two stages.

First, these stakeholders must be the targets of sophisticated marketing campaigns that will capture their attention and convince them that there are serious problems. And, second, once so interested these parents and stakeholders should be given the information in a variety of mediums and in a variety of formats.

The focus of this report is about those marketing campaigns and how various players (usually among the stakeholders) can do their part to build the interest and demand for consumer information. Simply by convincing some of the many stakeholders that a critical ingredient is stakeholder alarm, they will be moved to consider how they might induce that concern.

We offered several proposals as to how that inducement can be accomplished and we hope that the discussions here might suggest others.

We believe that by setting off the alarm, it will trigger a cascade of events that will more or less proceed automatically as the forces within the K-12 marketplace provide the right incentives to bring the needed educational services to our children. The result: the providers will profit financially and the children will profit academically.

¹ David V. Anderson and Co Author, *Signs of Competition in Private & Public k-12 Schools*, unpublished but currently available from the authors.

² David V. Anderson, *Generating Local NAEP Proficiency Estimates By The Ellipse-Quartic (ELQ) Mapping Methods*, It is in the file **ELQ-Mappings.docx**. You can download it from <http://asoraeducation.com/page35/page40/page40.html>.

³ William G. Howell, Martin R. West, and Paul E. Peterson, *The 2008 Education Next – PEPG Survey of Public Opinion*, Education Next, **8**, #4, Fall 2008.

⁴ David V. Anderson and Co Author, *Op.Cit.*

⁵ James D. Gwartney, Richard L. Stroup, and Russell S. Sobel, *Economics: Private and Public Choice*, The Dryden Press, 2000, p. 132.

⁶ G. Akerlof, *The Market for Lemons: Quality Uncertainty and the Market Mechanism*, Quarterly Journal of Economics, **89**, 1970, pp. 488-500.

⁷ The prototypical guides for Bristol County, Massachusetts; Shelby County, Tennessee; and Orange County, California are available online. You can download them at <http://asoraeducation.com/page59/page60/page60.html>

⁸ Private communication with Steven Drake, Public Relations Consultant to the EIA, 2011.